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SEP 15 1993

Oficina del Vicepresidente Senior
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 15, 1993

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The Honorable James H. Quello
Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 802, Stop Code 0106
Washington, D.C. 20554

Re: GEN.Docket No. 90-314
ET Docket No. 92-100

Dear Chairman Quello:

On behalf of Puerto Rico Telephone Company (PRTC), I appreciate the opportunity to meet with your staff today to discuss Personal Communications Services (PCS). This letter outlines PRTC's position on certain issues relating to the eligibility of our company for PCS licensing. As I describe more fully below, it is essential that PRTC be eligible to seek a PCS license.

PRTC is the thirteenth largest local exchange telephone company in the United States. Our sister company, Puerto Rico Communication Corporation, is the twenty-third largest local telephone company. Together these companies serve the local exchange needs of the island of Puerto Rico. PRTC provides a full range of modern fixed and mobile local services to more than one million access lines using state-of-the-art telecommunications facilities.

PRTC occupies a very unusual position among telephone companies because it is wholly-owned by the government of Puerto Rico. In 1974, the Governor of Puerto Rico signed the Puerto Rico Telephone Authority Act (the "PRTA Act") which provided for the acquisition of PRTC (which was then privately owned). At that time, the Commonwealth already owned PRCC which had been created by statute to serve a portion of the Island's interior.

PRTC is a governmental instrumentality of the Commonwealth of Puerto Rico. PRTC's Board of Directors has seven members. The Governor of Puerto Rico appoints five members subject to confirmation by the Puerto Rico Senate and the citizens of Puerto Rico directly elect the other two board members who serve as representatives of consumer interests.

PRTC's special status relates not only to its pivotal role in providing telecommunications services on the Island but also to its role in providing financial support for Puerto Rico's educational infrastructure. Annually, PRTC makes a payment in lieu of taxes (which do not apply to a governmental entity like PRTC) which is earmarked for educational purposes. Law 33 passed by the Puerto Rico Legislature in 1991 describes PRTC's educational mission:

The Telephone Company is the most valuable asset the people of Puerto Rico have. It is the public policy to ensure its greatest yield for the common good. Section 11 of Act No. 25 of May 6, 1974 as amended, the Telephone Authority Act, contemplates a closer bond between the Telephone Authority and the Country. It establishes that "the purposes for which it is created and should exercise its powers are the promotion of public safety, health and welfare of the people of Puerto Rico". In the interest and benefit of Puerto Rico, it is that this bill provides for our Telephone Authority to adopt the education of our children through the "Telephone Authority Fund for Educational Excellence".

PRTC is charged with providing universal service to the inhabitants of Puerto Rico. PRTC has made great progress in overcoming the geographic, social and economic obstacles to this goal but much remains to be done. By the end of 1993, telephone service penetration will reach only 75% of Puerto Rico's residents.

Due to its unique status PRTC has a special commitment to Puerto Rico's residents and the Commonwealth government. All of the income earned by the company (except that paid to the government in lieu of taxes) is reinvested in the PRTC network. These investments have produced a modern island network, including full equal access capability, without the need for increased rates. PRTC's basic local rates have not increased in more than a decade (coin rates have not increased since 1952) and intra-island long distance and cellular rates have been reduced.

PRTC understands that the FCC in its current proceeding on Personal Communications Services has considered making local telephone companies ineligible for a PCS license in markets where they provide local telephone service or cellular service. In light of the unique circumstances in the Puerto Rico market, the FCC should not bar PRTC from obtaining a PCS license, regardless of how it resolves this issue on the mainland.

PRTC is responsible for developing a modern telecommunications infrastructure for Puerto Rico. While great progress has been made, telephone penetration is still low - indeed it is the lowest in the U.S. To solve this fundamental service problem, PRTC must have at its command the full panoply of modern telecommunications technologies. This is particularly important with regard to technologies which hold the potential for extending local loop service to those who do not have it today. PCS, with its potentially low cost structure, could be an important factor in the extension of PRTC's network.

PCS would also help insure that PRTC retains its position as a technological leader in the provision of telecommunications services to the Island's residents and businesses. While PRTC must address the Island's low penetration problem on one hand, it must also provide state-of-the-art services to the significant manufacturing and service industries which are the key to the Island's economic development. The Puerto Rico economy is a matter of concern not only to the Government of Puerto Rico but to the Federal Government as well. This fact is illustrated by Section 936 of the Internal Revenue Code as well as other federal measures directed specifically to advancing the Island's economic development. PRTC, as the supplier of local telephone service, must provide the telecommunications infrastructure necessary to this development. If PRTC is prohibited from offering PCS services then it will not be in a position to insure the delivery of these services and the integration of accompanying advanced features into its network.

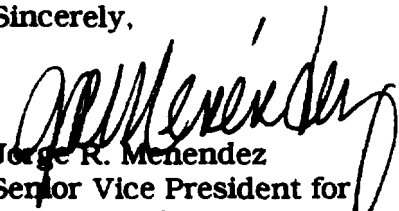
PRTC has been in the technological forefront since 1974, when PRTC became the provider of telephone service to most of Puerto Rico's telephone subscribers. However, without access to PCS spectrum, PRTC will be unable to continue this development by deploying in its network the key technology which will be used for wireless service in the next decade and beyond. PCS has the potential to increase the efficiency of many aspects of local telephone service. To deprive PRTC's customers of the advantages of these technological advancements would interfere with the achievement of the very objectives which led to PRTC's acquisition by the Commonwealth almost twenty years ago.

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PRTC's inability to provide PCS services could also impair its ability to provide needed support for Puerto Rico's educational system. As noted previously, income not retained by PRTC for modernization and expansion of its network is paid to the Commonwealth government to be used for educational purposes. To continue this support, PRTC must not only continue to provide its existing services in an efficient manner but also must offer new services like PCS for which significant demand will exist in the future.

The penetration level for telephone service in Puerto Rico by year end will reach only 75% with rural areas having a penetration level of only 68%. Access to PCS spectrum will help PRTC extend its network and reach more residents of Puerto Rico who do not have telephone service at this time. The Commission should not bar PRTC from using this important new technology.

Sincerely,



Jorge R. Menendez
Senior Vice President for
Finance and Administration

cc: Commissioner Andrew C. Barrett
Commissioner Ervin S. Duggan
Brian F. Fontes
Rudolfo M. Baca
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